

Refunding 2003-Crop Unearned Counter-Cyclical Payments

April 30, 2004



Statutory Authority

Sec 1104(f)(5) of the 2002 farm bill

“Repayment. – The producers on a farm that receive a partial payment under this subsection for a crop shall repay to the Secretary the amount, if any, by which the total of the partial payments exceed the actual counter-cyclical payment to be made for the covered commodity for that crop year.”



Refunding 2003-Crop Unearned Counter-Cyclical Payments

- **Under current market prices, several hundred thousand producers who received 2003 advance counter-cyclical payments may be required to repay all or a portion of the counter-cyclical payments they received.**
- **Producers will be sent a letter in early May providing them two options by which they can resolve a potential refund of counter-cyclical payments they you may owe CCC.**



Schedule for Determination of Counter-Cyclical Payment Rates

Crop	End of Marketing Year	Determination of Counter-Cyclical Rate
Wheat	May 31, 2004	July 1, 2004
Peanuts	July 31, 2004	September 1, 2004
Corn, Sorghum	August 31, 2004	October 1, 2004
Upland Cotton	July 31, 2004	October 12, 2004
Rice	July 31, 2004	February 1, 2005

Refund Option 1

This is the default option. No action is required by the producer.

- **CCC will automatically reduce any DCP payments producers are scheduled to receive between October 2004 and March 2005 to satisfy their obligation to repay the unearned 2003-crop advance counter-cyclical payments.**
- **Payments scheduled during this period include 2004-crop final direct payments (Oct. 2004); 2004-crop advance counter-cyclical payments (Oct. 2004 and Feb. 2005); and 2005-crop advance direct payments (beginning Dec. 2004).**
- **If DCP payments are insufficient to repay the total unearned advances, CCC will notify producers in April 2005 that the refunds will be collected using the procedures established under the Debt Collection Improvement Act of 1996.**



Refund Option 1 (continued)

Advantages of Option 1:

- the producer need not take any action—the deduction from future DCP payments will be automatic
- the producer will not have to write a check to CCC to satisfy the obligation
- the producer will not be charged interest for the obligation automatically deducted between October 2004 and March 2005
- the producer will receive a statement showing the amount reduced to satisfy the counter-cyclical overpayment when the payment reduction is made



Refund Option 2

If producers elect not to use Option 1:

- Producers must notify their FSA Service Center by June 15, 2004 that they wish to repay unearned counter-cyclical payments by following normal procedures under the Debt Collection Improvement Act of 1996 (DCIA), as follows:
- Producers will be sent an initial notification following the end of each crop's marketing year that will inform them of the specific amount of the debt, followed by a first demand letter approximately 30 days later.
- Producers may then settle the debt by writing a check.
- If producers have not sent CCC a check within 30 days, they will receive a second demand letter. Interest will begin to accrue from the date of the first demand letter and CCC will offset any subsequent CCC payment or commodity loan received to settle any unearned payments.
- FSA will send out a third demand letter if the debt is not settled within 120 days of the first demand letter and the debt is referred to Treasury (the Treasury Offset Program) for collection. Any federal payment can be used to offset the debt, including IRS refunds, Social Security payments, and other Federal payments.



2003 Counter-Cyclical Payments Issued by Crop

As of April 22, 2004

Wheat:	\$ 28 million
Corn:	\$340 million
Sorghum:	\$ 4 million
Rice:	\$119 million
Cotton:	\$168 million
Peanuts:	\$ 89 million
Total:	\$748 million



2003-Crop Projected Counter-Cyclical Payment Rates: April 2004

		Wheat	Corn	Grain Sorghum	Upland Cotton	Rice	Peanuts
		\$/bu	\$/bu	\$/bu	\$/lb	\$/cwt	\$/ton
1	Target price	3.86	2.60	2.54	0.7240	10.50	495
2	Direct payment rate	0.52	0.28	0.35	0.0667	2.35	36
3	Loan rate (LR)	2.80	1.98	1.98	0.5200	6.50	355
4	Projected price (midpoint)	3.38	2.55	2.55	1/	7.60	385
5	Higher of LR or price	3.38	2.55	2.55		7.60	385
6	plus direct payment rate	0.52	0.28	0.35		2.35	36
7	equals effective price	3.90	2.83	2.90		9.95	421
8	Target price	3.86	2.60	2.54	0.7240	10.50	495
9	less effective price	3.90	2.83	2.90		9.95	421
10	equals projected CC rate	0.00	0.00	0.00		0.55	74
11	First CC payment--35 %	0.0315	0.077	0.014	0.0201	0.5775	36.4
12	Add'l 2nd CC payment -70%	0	0	0	0.0000	0.0525	15.4
13	Total advances	0.0315	0.077	0.014	0.0201	0.6300	51.8
14	Final payment rate 2/	-0.0315	-0.077	-0.014	?	-0.0800	22.2
		refund	refund	refund		refund	

1/ Projected cotton price is not published. Weighted average weight for Aug 2003-Feb 04 is \$0.628

2/ Base on April 2004 price projections. Final payment rates may change.